

09020 SECURITIES AND EXCHANGE COMMISSION
Q-35387

Washington, D.C. 20549

FORM 10-Q

- [x] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

OR

- [] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

COMMISSION FILE NUMBER: Q-452

TECUMSEH PRODUCTS COMPANY

(Exact name of registrant as specified in its charter)

MICHIGAN

(State of incorporation)

38-10J3240

IRS (Employer Identification Number)

OTTAWA AND PATTERSON STREETS
TECUMSEH, MICHIGAN 49286

(Address of Principal Executive Office)

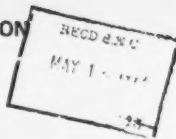
Telephone Number: (517) 423-8411

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No []

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class of Stock</u>	<u>Outstanding at April 30, 1992</u>
Class B Common Stock, \$1.00 par value	5,470,146
Class A Common Stock, \$1.00 par value	-0-

BEST COPY
AVAILABLE



PROCESSED BY

MAY 18 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

TECUMSEH PRODUCTS COMPANY AND SUBSIDIARIES

TABLE OF CONTENTS

	<u>Page No.</u>
PART I. FINANCIAL INFORMATION:	
Item 1. Financial Statements:	
Consolidated Condensed Balance Sheets at March 31, 1992 and December 31, 1991	2
Consolidated Condensed Statements of Income for Three Months ended March 31, 1992 and 1991	3
Consolidated Condensed Statements of Cash Flows for Three Months ended March 31, 1992 and 1991	4
Notes to Consolidated Condensed Financial Statements at March 31, 1992	5 & 6
Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition	7 & 8
PART II. OTHER INFORMATION at March 31, 1992:	
Item 4. Submission of Matters to a Vote of Security Holders	9
Item 5. Other Information	9
Item 6. Exhibits and Reports on Form 8-K	9 & 10

TECUMSEH PRODUCTS COMPANY AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION – Item 1
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited and subject to year end adjustments)
(Dollars in millions except per share amounts)

	Three Months Ended March 31,	
	<u>1992</u>	<u>1991</u>
INCOME:		
Net sales	\$332.4	\$317.5
Interest income	7.0	5.0
Other income	0.6	0.5
	<u>340.0</u>	<u>323.0</u>
EXPENSES:		
Cost of sales and operating expenses	288.7	290.2
Selling and administrative expenses	20.7	19.6
Interest expense	1.7	1.2
Other expenses	2.0	1.1
	<u>313.1</u>	<u>312.1</u>
 INCOME BEFORE TAXES ON INCOME	 26.9	 10.9
Taxes on income	<u>11.1</u>	<u>6.0</u>
 NET INCOME	 <u>\$15.8</u>	 <u>\$4.9</u>
 NET INCOME PER SHARE	 <u>\$1.45</u>	 <u>\$0.45</u>
 CASH DIVIDENDS DECLARED PER SHARE	 <u>\$0.40</u>	 <u>\$0.40</u>

The above per share amounts have been adjusted to reflect a 100% stock dividend payable May 29, 1992 to shareholders of record on May 8, 1992.

The accompanying notes are an integral part of these statements.

TECUMSEH PRODUCTS COMPANY AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION – Item 1
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited and subject to year end adjustments)
(Dollars in millions)

	Three Months Ended March 31,	
	<u>1992</u>	<u>1991</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$15.8	\$4.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13.7	13.1
Accounts receivable	(36.3)	(33.3)
Inventories	(12.5)	(3.7)
Payables and accrued expenses	38.9	31.1
Other	2.4	(5.4)
CASH PROVIDED BY OPERATIONS	<u>22.0</u>	<u>6.7</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(14.1)	(17.2)
CASH USED IN INVESTING ACTIVITIES	<u>(14.1)</u>	<u>(17.2)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(4.4)	(4.4)
Increase (decrease) in borrowings	(0.9)	(7.2)
CASH USED IN FINANCING ACTIVITIES	<u>(5.3)</u>	<u>(11.6)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>(5.4)</u>	<u>(5.3)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2.8)</u>	<u>(27.4)</u>
CASH AND CASH EQUIVALENTS:		
BEGINNING OF PERIOD	<u>256.4</u>	<u>240.3</u>
END OF PERIOD	<u><u>\$253.6</u></u>	<u><u>\$212.9</u></u>

The accompanying notes are an integral part of these statements.

TECUMSEH PRODUCTS COMPANY AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION - Item 1
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. The condensed consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report for the fiscal year ended December 31, 1991. Due to the seasonal nature of the Company's business, the results of operations for the interim period are not necessarily indicative of the results for the entire fiscal year.

2. Inventories consisted of:

(Dollars in Millions)

	<u>March 31,</u> <u>1992</u>	<u>December 31,</u> <u>1991</u>
Raw material and work in process	\$ 99.8	\$ 98.0
Finished goods	58.3	51.0
Supplies	<u>11.1</u>	<u>10.9</u>
	<u>\$169.2</u>	<u>\$159.9</u>

3. On April 22, 1992, the Company's stockholders approved an amendment which reclassified the existing common stock to voting Class B common stock, created a new class of non-voting Class A common stock and divided the authorized 50,000,000 shares of common stock into 25,000,000 shares of Class A common stock and 25,000,000 shares of Class B common stock.

The shares of Class A common stock and Class B common stock are identical except as to voting rights. Class A common stock has no voting rights, other than those required by law.

Stockholders of record on May 8, 1992 will receive one share of Class A common stock for each share of Class B common stock in the form of a stock dividend payable May 29, 1992. Accordingly, all stock accounts and per share amounts shown in the accompanying financial statements have been adjusted to give effect to the stock dividend. The par value of Class A shares to be issued was transferred from retained earnings to Class A common stock, \$1 par value.

4. Various lawsuits and claims, including those involving ordinary routine litigation incidental to its business, to which the Company is a party, are pending, or have been asserted, against the Company. In addition, the Company has accrued the estimated costs of anticipated remedial action in connection with certain environmental matters.

Although the outcome of the aforementioned matters cannot be predicted with certainty, and some of them may be disposed of unfavorably to the Company, management has no reason to believe that their ultimate disposition will have a materially adverse effect on the consolidated financial position of the Company.

TECUMSEH PRODUCTS COMPANY AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION - Item 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Earnings for the first quarter of 1992 were \$15.8 million, or \$1.45 per share, compared to \$4.9 million, or \$.45 per share in 1991. These earnings per share amounts for 1992 and 1991 have been adjusted to reflect the 100% dividend payable May 29, 1992 in shares of new, non-voting Class A common stock to holders of record of Class B common stock on May 8, 1992. The dividend declaration followed the shareholders' approval of an amendment which reclassified the former common stock as voting Class B common stock and created the new Class A common stock.

Sales of \$332.4 million for the first quarter of 1992 represent a 5% increase over the first quarter of 1991. Export sales of U.S. built compressors in the first quarter of 1992 were twice the levels reported in 1991, due primarily to tremendous growth in the demand for air conditioning equipment in non-traditional Asian markets. Profitability of the U.S. compressor operations improved as a result of volume driven production efficiencies along with other cost control measures.

Our Brazilian subsidiary, SICOM, Ltda, also contributed to the sales and profitability gains in 1992 after incurring operating losses in the first quarter of 1991. The Brazilian administration is attempting to control inflation through a strict monetary policy. Although SICOM's financial income benefited from the high real interest rates caused by this policy, local demand for appliances suffered from its recessionary impact. Fortunately, a fairly valued cruzeiro allowed SICOM to profitably increase its export business, particularly in other Latin American countries.

L'Unite Hermetique, our French subsidiary, experienced a 12% sales decline in 1992, which reflected continued weakness in the Company's major markets in Western Europe. Increased competition from Far East suppliers of appliance compressors put downward pressure on selling prices which, along with lower volume in commercial applications, reduced operating margins of L'Unite Hermetique.

Sales of the Company's gasoline engines were flat in the first quarter of 1992, both in North America and Europe. Segment operating profit was up compared to 1991 due mainly to cost control measures at Tecnamotor, the Company's Italian subsidiary, and somewhat lower material costs.

The effective income tax rate for 1992 decreased from 55% to 41% because of a reduction in losses at certain foreign subsidiaries for which no tax benefit could be recognized.

FINANCIAL CONDITION AND OTHER MATTERS

The Company continued to maintain a strong and liquid financial position. Cash flow from operations was \$22.0 million in the first quarter of 1992, up from \$6.7 million in 1991, primarily due to higher net income. Working capital of \$411.4 million was up from \$403.1 at December 31, 1991 and the ratio of current assets to current liabilities continued to exceed 2.5. Capital expenditures for the first quarter of 1992 include \$5.7 million for our new Quadro-Flex compressor line. Working capital requirements and planned capital expenditures for 1992 and early 1993 are expected to be financed primarily through internally available funds.

We are cautiously optimistic about operating results for the balance of 1992. Demand in the Company's export markets should remain strong throughout the year. Economic conditions in the U.S. are encouraging, although early season weather conditions are a key factor in both compressor and engine segments.

TECUMSEH PRODUCTS COMPANY AND SUBSIDIARIES
PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The annual meeting of stockholders was held on April 22, 1992.
- (c) Stockholders acted upon a proposal to amend Article IV of the Restated Articles of Incorporation to divide the presently authorized 50,000,000 shares of common stock into 25,000,000 shares of non-voting Class A common stock, par value \$1.00 per share, and 25,000,000 shares of voting Class B common stock, par value \$1.00 per share. Each outstanding share of the Company's currently authorized common stock, par value \$1.00 per share was reclassified and converted into one share of Class B common stock. The stockholders voted to approve the amendment with 4,121,264 shares in the affirmative, 774,283 shares in the negative, 70,478 abstentions and 504,121 no response.

Item 5. Other Information

On April 22, 1992, the Company announced its stockholders approved an amendment to the Company's Restated Articles of Incorporation which reclassified its existing stock into voting Class B common stock and created a non-voting Class A common stock. Immediately following the amendment approval, the Board of Directors declared a dividend of one share of non-voting Class A common stock for each share of Class B common stock payable on May 29, 1992 to stockholders of record on May 8, 1992.

On April 22, 1992 the Company amended the existing shareholder rights plan (which applies to the Class B stock) and adopted a new, similar shareholder rights plan for the Class A stock. The effect of these actions was to split the rights so as to conform to the new dual-class structure adopted for the Company's stock.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibit 4. Instruments Defining the Rights of Security Holders, Including Indentures. The following exhibits are incorporated herein by reference (Commission file No. 0-452):
- 4a) Registrant's Restated Articles of Incorporation as in effect prior to adoption of the amendment reclassifying its common stock (filed as Exhibit (3) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991);

- 4b) Certificate of Amendment to Registrant's Restated Articles of Incorporation setting forth the Reclassification Amendment (filed as Exhibit B-5 to Form 8 amendment no. 1 dated April 22, 1992 to Form 10 Registration Statement dated April 24, 1965);
 - 4c) Amended and Restated Class B Rights Agreement (filed as Exhibit 4 to Form 8 amendment no. 1 dated April 22, 1992 to Form 8-A registering Common Stock Purchase Rights dated January 23, 1991);
 - 4d) Class A Common Stock Rights Agreement (filed as Exhibit 4 to Form 8-A registering Class A Common Stock Purchase Rights dated April 22, 1992);
 - 4e) Form of stock certificate evidencing Class A Common Stock (filed as Exhibit 1 to Form 8-A registering Class A Common Stock, \$1.00 par value dated April 22, 1992);
 - 4f) Form of stock certificate evidencing Class B Common Stock (filed as Exhibit B-1 to Form 8 amendment no. 1 dated April 22, 1992 to Form 10 Registration Statement dated April 24, 1965);
 - 4g) Registrant's Bylaws as currently in effect (filed as Exhibit (3) (a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
- (b) The Company did not file any reports on Form 8-K during the three months ended March 31, 1992.

SIGNATURE

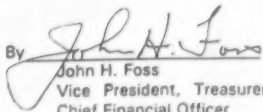
Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

TECUMSEH PRODUCTS COMPANY
(Registrant)

Dated

5/12/92

By


John H. Foss
Vice President, Treasurer and
Chief Financial Officer